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SUBJECT: NIGERIA: 14 KILOMETERS OF LOST PRODUCTIVITY

¶1. (SBU) On a recent trip to Ilorin, Poloff passed a 14 kilometer (8.7 mile) line of tractor trailer trucks waiting to pick up cement from the Obajana Cement Factory in Obajana, Kogi State (135 miles southwest of Abuja). The cement factory, owned by Aliko Dangote of Dangote Industries Limited, was officially commissioned in April and reportedly has an installed capacity of five million metric tons of cement per year at an estimated project cost of \$798 million (according to the International Financial Corporation, IFC). Approximately \$479 million was financed by the IFC, European Investment Bank (EIB) and other international lenders. The factory is reported to be the largest in Africa, and production is expected to reduce the current level of cement imports (also imported by Dangote Industries), which account for more than 80 percent of cement consumed in Nigeria. Dangote announced plans in February to list the cement factory on the New York Stock Exchange; however, no further announcements to this effect have been made.

¶2. (SBU) On July 15, Poloff witnessed literally several thousand tractor trailer trucks sitting idly by the side of the road in Obajana awaiting loading. The line of trucks, which stretched over 14 kilometers (8.7 miles,) had a semi-permanent feel to it as economic activities have sprung up along the roadside to support the idle drivers and loaders. Enterprising women cook and sell food and water to the "captive" consumers and young boys circulate selling buckets of water for bathing. Poloff spoke to a "load boy" sitting next to one of the trucks near the front of the line. The young man told Poloff he and the driver came from Abuja and had been waiting seven days for their load of cement. Though longer than the normal three to four day wait, he maintained he once waited almost two weeks to load. The load boy told Poloff the truck owner pays the driver 7,000 Naira (\$59) and the load boy 3,000 Naira (\$25) for each load.

¶3. (SBU) Comment. The 14 kilometer line of trucks highlights the inefficiencies that often lie just below the surface of some of Nigeria's prominent economic success stories. The lost productivity of several thousand trucks sitting idly by the roadside for days to weeks at a time is mind-boggling. In addition, with Dangote Industries controlling both the imported and domestically produced supply of cement, the higher costs are simply passed along to the consumer. Even the positive impact on the local economy seemingly has a downside, as the Embassy motorpool driver (who grew up about an hour from Obajana), lamented that prostitution, HIV/AIDS, and sexually transmitted diseases are on the rise as truckers (well-paid by local, rural standards) sit idly. As bilateral talks continue on removing import bans and opening up

restrictive import licensing schemes, the truck drivers in Obajana serve as a reminder of the inefficiencies introduced by these restrictive trade policies. End Comment.
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